

VZCZCXRO1391
PP RUEHSL
DE RUEHRL #0921/01 2121541
ZNY SSSSS ZZH
P 311541Z JUL 09
FM AMEMBASSY BERLIN
TO RUEHC/SECSTATE WASHDC PRIORITY 4817
INFO RUCNFRG/FRG COLLECTIVE
RUCNNSG/NUCLEAR SUPPLIERS GROUP
RUCNWSN/THE WASSENAAR ARRANGEMENT
RUEHBR/AMEMBASSY BRASILIA 0315
RHEFHLC/HOMELAND SECURITY CENTER WASHINGTON DC
RUEIDN/DNI WASHINGTON DC
RUEAIIA/CIA WASHINGTON DC

S E C R E T SECTION 01 OF 02 BERLIN 000921

SIPDIS
STATE FOR EUR/CE PETER SCHROEDER
STATE FOR ISN
STATE FOR EUR/PRM

E.O. 12958: DECL: 07/31/2034
TAGS: [MTCRE](#) [PREL](#) [PINR](#) [MNUC](#) [ETTC](#) [KSCA](#) [KNNP](#) [IR](#) [BR](#) [GM](#)
SUBJECT: (S) GERMANY WARNS THE USG ABOUT A BRAZILIAN
PROCUREMENT ATTEMPT OF PROLIFERATION CONCERN

Classified By: Acting Global Affairs Unit Chief David L. Fisher
for reasons 1.4 (b) and (d).

11. (S) On July 31, MFA Export Control Division Desk Officer Nancy Reck provided EconOff with a German-language non-paper warning US export control authorities about a potential Brazilian procurement attempt of proliferation concern for "Automatic High-Precision Heavy-Duty Necking-In-Machines with CNC Control" from a US vendor. German authorities received an application from a German firm for the export of four Necking-In-Machines to Brazil, which they plan on rejecting for fears that these machines would be diverted to the Middle East -- probably Iran. (COMMENT: The German producer of these machines was not mentioned or listed in the non-paper. END COMMENT) The Germans based their conclusions on their own research and information from an unnamed "reliable source" (NFI). Reck shared that Germany is confident in the strength of their legal position should the German producer challenge the rejection in court.

12. (S) Begin text of informal Embassy translation of German-language non-paper:

In regards to our partnership in the area of non-proliferation and our excellent partnership in export control affairs, we would like to bring the following information to the attention of your government:

A German firm placed an export application for four "Automatic High-Precision Heavy-Duty Necking-In-Machines with CNC Control" (Einziehmaschinen) with a total value of 7,700,000 euro. The machines are controlled by both the Wassenaar Arrangement and the Nuclear Suppliers Group (NSG). The stated recipient is the firm Export Business & Consult located in Brazil. This firm's address is as follows:

Export Business & Consult
Av. Osmar Cunha 183-712A
Florianopolis, Santa Catarina, 88015-100
Brazil

The end-user is listed as Export Business & Consult, Rua Ivo Luchi s/n Bairro Industrial, Palhoca, Santa Catarina, Brazil. (COMMENT: Reck said the term "s/n" in this sentence refers to "street name." END COMMENT) The stated end-use description is for the production of gas cylinders, pressure containers, and CNG-cylinders for automobiles.

From a reliable "source", we have obtained the following information:

-- The Brazilian authorities are investigating the receiver because of suspicion connecting the firm with procurement of dual-use goods, listed under the Wassenaar Arrangement, for diversion to the Middle-East.

-- The firm has already tried to procure machine tools in numerous European countries

-- The existence of a declared end-user could not be proven

-- The declared receiver has neither the physical facilities nor the financial means or the technical possibilities to use the Necking-In-Machines for themselves.

-- The previous activities of both firms give cause for the presumption, that it has to do with a front company without financial movement or registered business capital.

-- According to the source's assessment, this case could be connected with the proliferation of critical goods to the Middle East (presumably Iran).

We will reject this application. Due to the long investigation time, the export applicant's legal representative shared that the Brazilian end-user could possibly make an effort to procure the machines from the USA.

We look forward to the continuation of our excellent cooperation in the affairs of non-proliferation and export control.

BERLIN 00000921 002 OF 002

End text of informal Embassy translation.
Bradtke